

**Notice of Funding Availability (NOFA)**

**MULTIFAMILY HOUSING PROGRAM (MHP)  
SUPPORTIVE HOUSING COMPONENT**

**March 7, 2006**

State of California  
Department of Housing and  
Community Development

**NOTICE OF FUNDING AVAILABILITY (NOFA)**  
**MULTIFAMILY HOUSING PROGRAM**  
**SUPPORTIVE HOUSING COMPONENT**  
March 7, 2006

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**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
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**NOTICE OF FUNDING AVAILABILITY (NOFA)  
MULTIFAMILY HOUSING PROGRAM  
SUPPORTIVE HOUSING COMPONENT**

**March 7, 2006**

**Supportive Housing Funding: \$25 million**

**PROGRAM DESCRIPTION****A. Introduction.**

The California Department of Housing and Community Development (hereinafter "HCD" or "Department") is announcing the availability of funding for the development of rental housing containing permanent supportive housing units under the Multifamily Housing Program (MHP). Funding for this NOFA is provided under the Housing and Emergency Shelter Trust Fund Act of 2002 (Proposition 46). Applications under this NOFA will be accepted on an "over-the-counter" basis beginning on March 15, 2006.

Applications are currently being accepted for Supportive Housing projects serving a subset of Supportive Housing eligible target populations (households with an adult member who is chronically homeless and severely mentally ill) under the related Governor's Homeless Initiative (GHI) NOFA, which was issued on November 15, 2005 and may be accessed on the Department's website at <http://www.hcd.ca.gov/fa/ghi/>. Under another NOFA, the MHP "General" NOFA, funds are currently being offered for projects that do not include Supportive Housing units. The MHP General NOFA is available on the Department's website at <http://www.hcd.ca.gov/fa/mhp>.

**B. Legal Authority.**

MHP was established by SB 1121, Statutes of 1999 (Alarcón), which created Chapter 6.7, commencing with Section 50675, of the Health and Safety Code. In addition to the requirements of this NOFA, applications shall be subject to two sets of regulations, the MHP-specific Regulations (including Article 6. Supportive Housing Loans) and the Uniform Multifamily Housing Regulations (UMR), both of which are available on the Department's website at <http://www.hcd.ca.gov/fa/mhp>. Applications submitted under this NOFA are also subject to the applicable statutory requirements (including those of Proposition 46 and SB 1227 of 2002).

All section references in this NOFA refer to the MHP regulation text posted on the Department website unless otherwise noted. UMR section references refer to the Uniform Multifamily Regulations.

**C. Program Summary.**

MHP is a streamlined, omnibus financing program for affordable multifamily housing developments. It provides funds to cover development (capital) costs only, and cannot be used for services or operating subsidies. Applicants may apply for funding under this NOFA for (1) projects containing Supportive Housing units only; or (2) projects containing Supportive Housing and Non-Supportive Housing units (mixed projects). Supportive Housing and Non-Supportive Housing units are defined below. The Supportive Housing units will be funded from the Supportive Housing funding component of MHP and the Non-Supportive Housing units may be funded from the “General” MHP funding component (the \$800 million omnibus program where funds are available for a variety of project types). The MHP “General” funds may be made available in amounts sufficient to fund the Non-Supportive Housing units that qualify for an MHP loan award.

**“Supportive Housing Units”** means units offered as permanent housing linked to supportive services where occupancy is restricted to households that both (1) are homeless or at risk of homelessness and (2) include a disabled adult. See Paragraph I for a definition of “homeless or at risk of homelessness” and a list of qualifying disabilities.

**“Non-Supportive Housing Units”** means other housing units, including Special Needs Population units (also defined below), in a qualified Supportive Housing project.

**“Special Needs Population” Units** are units restricted to certain groups, as described in Section 7301(r), that may not meet all of the qualifications required to occupy Supportive Housing Units, but who still need services linked to their housing, such as disabled households who are not homeless.

The chart below illustrates the MHP Supportive Housing and General funding that may be accessed via this NOFA, and the basis for loan awards, loan limits, and amount of funding available. Projects must receive an award of MHP Supportive Housing funds in order to qualify for the MHP General funding.

<b>MHP Funding Set-aside</b>	<b>Basis for Loan Award</b>	<b>Loan Limits</b>	<b>Amount Available under this NOFA</b>
Supportive Housing	Supportive Housing Units, as defined above.	Per-unit limits based on location, bedroom count, and affordability level, posted on the Department website.	Approximately \$25 million.
General	Other rent-restricted housing units, including Special Needs Population Units, as defined above in a qualified Supportive Housing project.	Same per-unit limits apply.	Funding may be available to fully fund mixed projects until the \$25 million in Supportive Housing funds announced in this NOFA is exhausted.
<b>Note: there is a \$7,000,000 per-project limit on total MHP funds available under the Supportive Housing and General set-asides in this NOFA.</b>			

To be eligible under this NOFA, at least 35 percent of the units (and not less than five units) in the proposed development must be Supportive Housing Units. If this test is met, other Special Needs Population units, as well as units available to the general public, may be funded under MHP's General set-aside (funds will not be deemed exhausted until the \$25 million allocation for Supportive Housing is utilized for Supportive Housing units). Special Needs Population projects that do not meet the 35 percent test may apply under the separate MHP General NOFA.

#### **D. Highlighted Program Changes.**

##### **1. Loan Amounts**

There will be an increase of \$15,000 in the maximum per restricted unit loan amount for projects located in the Southern California area to encourage Southern California applicants, with the objective of ensuring a reasonable geographical distribution of funds. For the purpose of geographic distribution, Southern California includes the counties of Kern, San Bernardino, San Luis Obispo, and all counties to the south. The maximum loan amount will remain \$7,000,000.

##### **2. Replacement Reserve Deposits**

Minimum amounts required for initial deposits to replacement reserve accounts were changed on August 1, 2005. The new deposit amounts are as follows:

- The deposit amount required for new construction or conversion projects is 0.6 percent of the structure construction cost, up to \$600 per unit, or \$500 per unit if the project is receiving permanent financing from the California Housing Finance Agency (CalHFA). The required amount may be adjusted based on the results of a third-party Reserve Study approved by the Department, covering the 55-year term of the Department assistance.

“Structure construction cost” does not include construction contingency, general contractor profit, overhead, or general requirements.

- The deposit amount required for rehabilitation projects will be determined by the Department based on a third-party Physical Needs Assessment (PNA).

At the time of application, prior to completion of the PNA, the Department will base its underwriting on a preliminary estimate. The preliminary estimate for 2005 was \$456 per unit, and this amount may be used until such time as the Department adjusts the figure for 2006.

### **3. Market Studies**

The Department strongly suggests Supportive Housing Project Sponsors include a Market Study with the application for funding. The Department's experience indicates that the attainability of the proposed rents is an issue in many Supportive Housing projects. Market Studies will be required for all projects where the Department is unable to make a clear determination that income proposed from rents is realistic. Absent the ability to make such a determination, the Department will not recommend a project for funding. Consequently, failure to submit a Market Study with the application for funding could result in a substantial delay in, or ultimate denial of, a funding award.

Market Studies must include analysis related to the proposed target populations and be performed in accordance with the most recent version of the California Tax Credit Allocation Committee (TCAC) Market Study Guidelines dated February 2006. The Department recognizes that information relevant to Supportive Housing and Special Needs Populations may be difficult to obtain. Market Studies addressing these populations may require analysis and research beyond that which is necessary for general occupancy projects. Market Studies must address in separate subsections, each housing type and specific population to be served by the development. For example, if a development is intended to be reserved partially for Supportive Housing eligible households, partially for Special Needs Populations, and partially for general populations, separate subsections of the study must address the population/household trends, the demand estimate and the absorption rate for each of these population types. If comparable projects housing the target population exist, occupancy rates for these projects must be highlighted. The

Department expects that the market analyst will consult with service providers, representatives of other projects housing the target population, and

cite the local Housing Element or Consolidated Plan and other relevant sources that contain information relevant to the target population.

If you have questions with regard to preparation or submittal of the Market Study, please contact a Department Representative.

**E. Eligible Project Sponsors.**

Sponsors and borrowing entities may be organized on a for-profit or not-for-profit basis. Any individual, public agency or private entity capable of entering into a contract is eligible to apply, provided that they or their principals have successfully developed at least one affordable housing project. The Department will evaluate all Sponsors, including the roles of any general partner(s) in a limited partnership, to determine if the Sponsor's roles, responsibilities, and benefits in the project development and operations are commensurate with activities normally undertaken or controlled by project developers and owners. The Sponsor will be reviewed to determine if adequate staffing levels exist to undertake and complete the project. The same criteria will be applied to evaluate Sponsor experience for purpose of awarding points. Sponsors of projects where at least 70 percent of the units consist of Supportive Housing units or Special Needs Population units are exempt from the requirement for previous development experience under limited conditions. See Section 7303 (d).

Sponsor entities must maintain sufficient control of the borrowing entity to ensure that the Ultimate Borrower has the resources and experience to develop, own and manage the project. Sponsors will be required to prepare a written narrative explaining how the Sponsor identified in the application has full control of the Ultimate Borrower entity and development of the project. The Sponsor must expressly describe the management and control for each entity in the organizational structure of the Ultimate Borrower. The narrative must be submitted with the organizational documents for the Ultimate Borrower and must cite the organizational documents, with reference to page, paragraph or section number, that evidence the Sponsor's control of the Ultimate Borrower. The narrative and supporting documentation must be submitted at the time the Ultimate Borrower is formed and in all cases, prior to the construction loan close. Where the requisite control cannot be shown, the Sponsor will have to change its organizational structure accordingly to comply with the applicable regulations and the loan commitment. Sponsors must also demonstrate a minimum of 24 months experience in the ownership or operation of at least one Supportive Housing or Special Needs Population project with five or more units, and provide a letter of support from a local services funding agency. See Section 7343.

Sponsors must have site control in the name of the Sponsor or an entity controlled by the Sponsor as defined in Uniform Multifamily Regulations (UMR) Section 8303.

**F. Eligible Uses of Funds.**

MHP funds will be provided as permanent financing only, and may be used to take out construction loans used to cover normal project development (capital) costs, as detailed in Section 7304. MHP funds may be used to capitalize a project operating reserve account up to the limit required under UMR Section 8308. Program funds may not be used for the cost of supportive services, although Department approved costs of on-site supportive services coordination may be treated as a project operating cost, payable from operating income. MHP funds must be attributable to the costs of “restricted” units (MHP units and units subject to a long-term regulatory agreement with occupancy and rent restrictions similar to those of MHP) or to the costs of facilities used for childcare, after-school care, and social service integrally linked to the restricted units.

**G. Eligible Projects.**

Projects must qualify as rental housing developments, as defined in UMR Section 8301, and meet the requirements of Sections 7302 and 7342. For example, projects must contain five or more dwelling units.

Projects funded under this NOFA must contain Supportive Housing units, as defined in Paragraph B, equal to the greater of five units or 35 percent of the total project units. Supportive Housing units must be restricted to households with incomes not exceeding the greater of 30 percent Area Median Income (AMI) or State Median Income (SMI). Supportive Housing units must be used for permanent housing only. Non-Supportive Housing units may be used for either permanent or transitional housing.

Projects are ineligible if construction has commenced prior to submission of a complete application, or if the project is already fully funded. Projects must meet standards described in UMR Section 8310.

Projects receiving nine percent tax credits are ineligible, and the Department will not commit MHP funds pending the outcome of a nine percent tax credit application. Therefore, projects which have a nine percent tax credit application pending at the time the MHP application is submitted will be disqualified. Furthermore, projects submitted for MHP funding and subsequently for nine percent tax credits will be deemed ineligible, and the funding commitment will be immediately rescinded.

**H. Projects with Extraordinarily High Development Costs.**

The Department is concerned about the extremely high cost of a number of projects funded in the recent past, and the extraordinary level of public subsidy required by these projects. Of particular concern are projects with total development costs in excess of \$300,000 per unit. The Department will require thorough justification for costs above that level. In this period of rapidly rising development costs, it is especially important to encourage MHP funding of otherwise qualified projects that are able to minimize costs, without sacrificing



design elements that are cost effective in the long run or meet vital needs of project residents.

In light of this concern, and consistent with UMR Section 8311, the Department reserves the right to reject an application if total development cost exceeds an amount that cannot be reasonably justified, in comparison to the costs for other similar developments of modest design in the general area. Projects may be required to justify the total development cost if the cost substantially exceeds the Department's historical project costs for similar projects, with an allowance for increased construction costs.

In evaluating projects with high per unit costs, the Department will closely scrutinize the justification that costly design features were necessary to obtain local approvals or neighborhood acceptance. Similarly, the Department will be giving close scrutiny to projects with extraordinary site development costs (where they are not fully compensated for by a sharply discounted purchase price), or where the constraints of the site necessitate an especially expensive design.

Although the Department appreciates that individual developers may experience great difficulty locating more appropriate sites, it has concluded that the interests of the Program are best served by avoiding excessive site- and design-related costs.

#### **I. Households Eligible for Supportive Housing Units.**

As defined in Section 7341, to be eligible for Supportive Housing units, households must be homeless or at-risk of homelessness, and include a disabled adult as specified below.

Homeless or at-risk of homelessness means:

1. moving from an emergency shelter; or
2. moving from transitional housing; or
3. currently homeless, meaning:
  - a. an individual who lacks a fixed, regular, and adequate nighttime residence; or
  - b. an individual who has a primary nighttime residence that is:
    - i. a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); or
    - ii. an institution that provides a temporary residence for individuals intended to be institutionalized; or
    - iii. a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or

4. at-risk of homelessness, meaning:

- a. households with incomes at or below the greater of 20 percent of SMI or AMI with no rental subsidy available to the household ; or
- b. households with incomes above 20 percent but not exceeding 30 percent of the greater of SMI or AMI who:
  - i. face immediate eviction and have been unable to identify a subsequent residence; or
  - ii. face imminent release from an institution (i.e., jail, hospital or foster care system) where other housing placement resources are not available; or
  - iii. reside in an overcrowded setting (more than two persons per living/sleeping area) in which the household does not hold a lease; or
  - iv. reside in substandard housing subject to a current official vacation notice; or
  - v. pay more than 50 percent of income in housing costs.

Note: For some occupied rehabilitation projects, household eligibility under these criteria may be established at the household's initial occupancy, which may have been prior to the rehabilitation work. Sponsors of rehabilitation projects are encouraged to provide project-specific detail and to seek Department technical assistance prior to submittal of applications.

A disabled adult is a person 18 years of age or older, or an emancipated minor with a qualifying disability. Qualifying disabilities are:

1. Mental illness; or
2. HIV or AIDS; or
3. Substance abuse; or
4. Developmental disability; or
5. Long-term chronic health condition that qualifies them for:
  - a. Eligibility under either of two Medicaid Waiver programs, the Multipurpose Senior Services Program or the Assisted Living Waiver Pilot Program (or its successor);
  - b. Eligibility for 20 or more personal care hours per week under the In-Home Supportive Services Program; or
  - c. Eligibility for services under the Program of All Inclusive Care for the Elderly.

Eligibility for these programs must be established by the agency responsible for determining eligibility for the benefits it provides.

**J. Supportive Service and Property Management Requirements.**

Projects shall be designed to provide affordable housing with access to an array of services and amenities for tenants whose ability to live independently would be improved by the availability of such services and amenities. Supportive Housing projects shall be linked to on-site or off-site services that assist the tenant to: retain the housing, improve his or her health, and to maximize his or her ability to live and where possible, work in the community.

As part of the MHP application, Sponsors must submit a supportive services plan documenting that the project will ensure the availability of services that meet the needs of the target population served by the project, along with a line-item budget for the supportive services, itemizing all expenses and indicating the sources, amounts, and status (i.e., proposed or committed) of supportive service funds. The application must include commitments or letters of intent for a minimum of 25 percent of the total service budget – except where the Department may approve an exception based on documentation confirming a successful history of securing similar funding for supportive services for the intended tenant population. See Section 7345.

The primary service provider for the project must demonstrate a minimum of 24 months experience in the provision of services to the targeted population, and a successful history of securing funds for similar activities.

The property manager must have a minimum of 24 months experience in managing a Supportive Housing or Special Needs Population housing project that would qualify as a rental housing development pursuant to UMR Section 8301(o). For proposed projects with fewer than 10 units, the Department may approve a property management agent with experience managing projects that do not qualify as rental housing projects, provided the agent has at least 24 months experience managing housing for the specific population targeted by the proposed project.

Applications must include a description of the service needs of each target population that will be served, the expected sources of referrals, and the Sponsor's tenant selection criteria and tenant selection process.

**K. Maximum Loan Amounts.**

The maximum loan per project is \$7,000,000. The maximum loan amount per "restricted" unit is a function of unit size, location, and affordability level. The maximum loan per restricted unit is being increased by \$15,000 per unit for the Southern California region to encourage the equitable distribution of funds for the area. (See Item D, Program Changes above.) Tables illustrating the per-unit loan limits and targeted income limits and rents are available on the Department's website and will be distributed with applications at the Application Workshops announced in Paragraph U.

**L. Loan Terms and Security.**

Loans will have a 55-year term, and bear simple interest at the rate of 3 percent per year. For the first 30 years, annual payments will be required in the amount of 0.42 percent of the outstanding principal loan balance. The annual payment amount for the next 25 years will be set by the Department in year 30, and will be the minimum amount necessary to cover the Department's monitoring costs. Unpaid principal and accrued and deferred interest will be due at the end of the loan term.

Cash flow remaining after payment of all debt service, operating expenses, required reserves and allowable deferred Developer Fee and Distributions per UMR Section 8314 shall be applied toward repayment of the MHP loan. If the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share the remaining cash flow with the public agencies in proportion to the respective loan amounts.

MHP loan documents will include a promissory note, deed of trust and regulatory agreement. The deed of trust and regulatory agreement may be subordinated to bond debt, and amortizing loans from institutional lenders and the federal government provided no balloon payments are due prior to the end of the MHP loan term. MHP loans may not be subordinated to local public agency loans or restrictions attached to these loans, unless the amount of the local loan is at least twice the amount of the MHP loan. See Section 7306(e) and UMR Section 8315.

The MHP loan must be secured by the fee or a leasehold interest in the property acceptable to the Department. The term of a leasehold interest must be at least 90 years (65 years where the lessor is a public entity) from the date the Department's documents are recorded, excluding any unexercised lease extensions. If the MHP loan is secured by a leasehold, the owner of the fee and the borrower must sign a recordable lease rider approved by the Department. See UMR Section 8316 for other leasehold requirements.

**M. Rent and Occupancy Limits.**

MHP assisted unit rent and tenant incomes will be restricted in accordance with the rent and income limits proposed by the project sponsor in their MHP application, with rents not exceeding 30 percent of the applicable income limit. Occupancy of the Supportive Housing units must be limited to households with incomes not exceeding 30 percent of AMI. The maximum possible income and rent limits are those set by the Tax Credit Allocation Committee (TCAC), using its calculation methods: 60 percent of AMI, adjusted by household size, and 30 percent of 60 percent of AMI, adjusted by bedroom size. These maximum limits are available on the TCAC website at <http://www.treasurer.ca.gov/CTCAC>.

Projects will be underwritten at the rent limits for the income levels proposed in the application. The Department's first year debt coverage ratio requirement of 1.1 to 1.2 will be applied using the maximum rents allowable.

Assisted unit rent increases will be limited in accordance with the rules governing tax credit units and as specified in Sections 7311 and 7312. Where the project receives Section 8 or other rental assistance subsidies, "rent" is defined as the tenant's contribution, rather than the contract rent level. Sponsors of this type of project will be required to continue the rental assistance as long as it is available. Projects with rental subsidies must also be feasible with 50 percent of AMI rents for units garnering income-targeting points in the event the rental assistance is terminated in accordance with Sections 7301(z) and 7312(d).

**N. Developer Fee and Distribution Limitations.**

Developer fees mean the same as the definition of that term in the California Code of Regulations, Title 4, Section 10302. Developer fees are limited in accordance with the schedule shown in UMR Section 8312, which was adjusted for inflation in 2005 pursuant to UMR Section 8312. Distributions to the sponsor out of operating income are also limited in accordance with UMR Sections 8312 and 8314.

**O. HUD Section 811 Projects.**

For HUD Section 811 projects, the Sponsor must demonstrate its ability to make the required annual MHP debt payment (0.42 percent for the first 30 years, then adjusted to cover the Department's cost of monitoring the loan) over the 55 year term of the MHP loan. This may be done by capitalizing a reserve account, within the Development Budget, in an amount sufficient to cover the annual payment over the 40 year term of the HUD loan. However, please note that MHP bond funds awarded under this NOFA are not available to fund this reserve.

Prior to commencement of construction, the Sponsor must also provide the Department with evidence of HUD approval of the HCD approved Tenant Selection Plan, including specifically the deep income targeting and the homeless (or at risk of homeless) criteria required by the MHP Supportive Housing loan.

The Department will defer to the HUD reserve requirements for the life of the HUD loan. Upon expiration of the HUD loan, the Sponsor will then comply with the MHP requirements for both operating and replacement reserve accounts.

**P. Prevailing Wage Requirements.**

Pursuant to Health and Safety Code section 50675.4(c)(2), projects receiving assistance under this NOFA are subject to State prevailing wage law, as set forth in Labor Code Section 1720 et seq.

**Q. Important Legal Matters.**

The Department reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, the Department will notify all interested parties. This NOFA provides a partial summary of the MHP statute and regulations. In the interest of brevity, it does not cover many aspects of those governing documents, some of which may be of critical importance to individual

projects. For this reason, applicants are urged to carefully review the regulations before submitting applications.

Article XXXIV of the California Constitution requires advance voter approval of certain publicly funded and regulated low-income housing projects. Projects funded by MHP must either have Article XXXIV approval or be exempt from the need for this approval.

Sponsors must also be very careful to avoid violation of laws barring housing discrimination. The Department will review proposed tenant selection criteria for potential violations of these laws. It may condition funding on the elimination of restrictions that it believes to be impermissible, or reject an application where it determines that compliance with applicable law is not feasible.

As a general rule, tenant selection criteria that have the effect of discriminating against protected classes, such as those based on race, color, religion, sex, age, marital status, familial status, disability, national origin and sexual orientation, are prohibited. On the other hand, housing providers may establish reasonable selection criteria that are rationally related to the services performed and the facilities provided. The determination of whether tenant selection criteria are reasonable and whether the services and facilities are rationally related depends on several factors, including the specific needs of the targeted population, the nature and extent of the services and facilities provided, and sources of funding, other than funds from MHP, for such services and facilities. For example, a Sponsor proposing to serve tenants with a particular disability may not be able to justify excluding persons with other disabilities having similar needs. Other than the ban on discrimination against protected classes, there are often few bright line rules to help Sponsors avoid illegal discrimination and each proposal must be analyzed on its own facts.

This is a very complex and in many ways unsettled area of law. Sponsors are encouraged to seek professional advice if there is any doubt that their proposal may run afoul of non-discrimination and fair housing laws. A useful resource is *Between the Lines, A Question and Answer Guide on Legal Issues in Supportive Housing*, recently published by the Corporation for Supportive Housing. This document is available online at [www.csh.org.pub.html](http://www.csh.org.pub.html) or by calling the publisher at (510) 251-1910.

In evaluating tenant selection criteria for Supportive Housing applications, the Department will first examine whether the criteria resulted from federal or state funding, as an indicator of legislative authorization. It will then review other aspects of the selection criteria, the services and facilities proposed to meet the needs of the targeted group and the proposed sources of other funding. If an applicant disagrees with the determination of the Department, it may seek an alternate opinion from the California Department of Fair Employment and Housing (DFEH). The Department will defer to DFEH's opinion. Please be advised that a proposal may have substantial discrimination problems even though it targets a group specifically listed in the definition of Supportive Housing or Special Needs Populations in Sections 7301 (r) and 7341.

## **R. Funding Compatibility**

Sponsors typically anticipate using an array of funding sources to fund the construction and permanent financing of their projects. The Sponsor should determine, prior to applying for the MHP funds, that the requirements of the non-MHP funding sources are compatible with the requirements of the MHP. For example, compatibility issues have arisen with local and federal funding sources related to:

- The required terms of the MHP security when the security for the MHP loan is in a leasehold interest (UMR Section 8316);
- The MHP prohibition of senior debt that has a provision for a “balloon” payment. Often, bond financing provisions include interest rate resets with potential calls prior to the full amortization term of the loan. Any interest rate resets or similar provisions governing senior debt shall be subject to the approval of the Department and must include an interest rate cap acceptable to the Department which shall not jeopardize the feasibility of the project.
- The mandatory payment to HCD of the .42 percent debt service;
- The MHP requirement to target some of the project rents to extremely low income households that are below the federal income eligibility standard; and
- The State statutory requirement that projects financed with MHP pay no less than the State prevailing wage rate.

## **APPLICATION PROCEDURES**

### **S. Application Process.**

The Application form will be available on the Department website on or about March 15, 2006. Applications for this funding round will be considered on an “**over-the-counter**” basis until available funds are exhausted. Applications will be accepted from 8:00 a.m. on March 15, 2006 until 5:00 p.m. June 30, 2006 or until such time before June 30, 2006 that the Department has received what it determines to be a sufficient number of applications to reasonably use all funds currently available.

Applications will be reviewed in the order in which they are received. The Department will endeavor to complete an initial staff review within 15 working days after receipt of the application. The initial staff review will include determinations of completeness, threshold eligibility issues, and initial point scores. Qualifying projects will then move forward into a feasibility review. Qualified projects, successfully passing all reviews will be scheduled for presentation to the Department’s Local Assistance Loan and Grant Committee (the “Committee”) each month beginning in May 2006. The Department will endeavor to schedule all recommended applications for presentation before the next Committee Meeting held 60 days after receipt of the last item required for review. The Department’s date stamp on the last item required to complete the

review will be used to determine the order in which applications are presented to the Committee.

**As more particularly described in Paragraph W below, projects must receive a minimum score of 125 points, as determined by Department staff, in order to be considered for a funding award. Additionally, projects must score at least four points in the Development and Ownership Experience of the Project Sponsor point category and at least five points in the Project Readiness point category.**

The Department will give notice on the Department's website when a sufficient number of applications have been received to exhaust the Supportive Housing funds offered under this NOFA. Applications will not be accepted after such notice. Any applications received prior to the notice that are deemed eligible for funding will be prioritized based on the Department's date and time stamp for the completed application. When the \$25 million in Supportive Housing funds has been exhausted, any remaining applications may be returned to the Sponsor for submittal in a future funding round. The Department reserves the right to award more than \$25 million under this NOFA if necessary to fully fund the last approved project and may supplement funding under this NOFA or issue a second NOFA in calendar year 2006.

**T. Optional Pre-application / Technical Assistance.**

A pre-application is not required. The optional pre-application will provide a means for the Department to provide project-specific technical assistance prior to the submittal of a complete application. The Department will review and evaluate the pre-applications for sponsor and project eligibility, site control, development experience, Supportive Housing Project Plan, financial data, and establish a preliminary point score for the project. A full and complete application must be submitted before full evaluation and scheduling the project for presentation to the Committee as outlined in the Paragraph S above.

Any application section or combination of sections may be submitted as a pre-application and utilized for technical assistance purposes.

**U. Application Workshops.**

Application workshops (no registration is required) are scheduled as follows:

<b>Date</b>	<b>Location</b>	<b>Presentation Time</b>
March 21, 2006	HCD Headquarters 1800 Third Street, Room 183/185, Sacramento	9:30 a.m. – 1:30 p.m.
March 29, 2006	Caltrans Building 100 South Main Street, Conference Room A Los Angeles	9:30 a.m. – 1:30 p.m.



**V. Application Submittal Procedures.**

Applications must be submitted on forms provided or approved by the Department. Application forms must not be modified. A complete original application, plus one copy, must be received by the Department.

To receive an application package, please visit the Department's website on or about March 15, 2006, or contact Janet Opee at (916) 327-2886 or [jopee@hcd.ca.gov](mailto:jopee@hcd.ca.gov). Applications must be delivered to one of the following addresses:

**U.S. Mail**

Janet Opee  
Department of Housing and  
Community Development  
Division of Financial Assistance  
P.O. Box 952054  
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**Private Carrier**

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Department of Housing and Community  
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Division of Financial Assistance  
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It is the applicant's responsibility to ensure that its application is clear, complete and accurate. After the application has been received, MHP staff may request clarifying information.

**W. Application Point Scoring.**

The criteria that will be used to score projects are described in Sections 7320 and 7346, and summarized below. In assessing whether a project is "At-risk," MHP will use the same standards as TCAC. See TCAC's regulations, Section 10325(g)(5), available on their website as identified above.

**Projects must receive a minimum point score of 125, as determined by MHP staff, in order to be considered for a funding award. Additionally, projects must score at least four points in the Development and Ownership Experience of the Project Sponsor category and at least five points in the Project Readiness category.**

<b>Criterion</b>	<b>Max. Points</b>	<b><u>Comments</u></b>
Extent Project serves the lowest income levels.	35	The income levels referenced in the regulations are posted on the Department website.
Extent the Project addresses the most serious local housing needs.	15	Local housing need is established on the basis of verification by the locality and for some mixed projects, by documenting the market vacancy rate.
Development and ownership experience of the Sponsor	20	Minimum point score of four points is required. Experience for the prior 10 years is considered.
Percentage of units for families or Supportive Housing units and "At-risk" Rental Housing Developments.	35	Because projects eligible to apply under this NOFA must have at least 35 percent supportive housing units, they will automatically receive full points in this scoring category.
Leverage of other funds.	20	Projects demonstrating collaboration and focus on measurable outcomes and service utilization will receive a competitive advantage in the leverage category. See application and Section 7346(c) for specific requirements.
Project readiness	15	Minimum point score of five points is required. The total score is the sum of point awards in six sub-categories measuring readiness.
Adaptive Reuse/Infill/Proximity to amenities	10	Points awarded to adaptive reuse and infill projects, or those near specified amenities.
<b>Total</b>	<b>150</b>	

**X. Disclosure of Application.**

Information provided in this application will become a public record available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosable to any person making a public records request. As such, we caution you to use discretion in providing us with information that is not specifically requested, including but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information to the Department, the sponsor is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request.

Questions should be directed to the MHP program staff at (916) 323 - 3178. Thank you for your interest in the Multifamily Housing Program.

Sincerely,

Richard L. Friedman  
Acting Deputy Director